

**CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, JUNE 22, 2004**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, June 22, 2004, commencing at 7:02 a.m.

A. ROLL CALL

Present: Council Members – Beckman, Howard, Land, and Mayor Hansen

Absent: Council Members – Hitchcock

Also Present: City Manager Flynn, Interim City Attorney Schwabauer, and City Clerk Blackston

B. CITY COUNCIL CALENDAR UPDATE

City Clerk Blackston reviewed the weekly calendar (filed).

C. TOPIC(S)

C-1 "Review draft fiscal year 2004-05 Financial Plan and Budget"

City Manager Flynn recalled that he had been quoted in the newspaper as saying that adopting the budget in June was not significant. He stated that it was not true because of the historical significance of always having done so in the past.

Deputy City Manager Keeter noted that on May 19 the Budget Advisory Committee and City Manager presented recommended adjustments for the budget. On June 2, the draft budget document was released. Consideration to adopt the budget will be made on July 21.

Finance Director Krueger reviewed the following information from the draft budget document:

- The General Fund ending fund balance is \$4.8 million;
- There are recurring adjustments to expenditures of \$3,348,000;
- Revenue adjustments are \$1,881,000;
- One-time expenditure adjustments are \$417,000;
- Other adjustments (primarily transfers) amount to \$1,122,000; and
- The total recurring expenditure adjustment of \$3.3 million and one-time adjustment of \$3,690,000 amounts to a net surplus of \$3,034,000.

Mr. Flynn summarized that savings in the General Fund Capital are being used to fill in the gap (\$1.3 million deficit) for the next two years. He stated that there will have to be a fundamental change to the budget if the City is going to have a healthy organization into the future. He recalled that earlier in the year he suggested a mandatory furlough program; however, that would be only a one-time adjustment, which would not correct the fundamental problem. Similarly, a pay cut would be a one-time adjustment. If the City's strategy is to wait for economic growth, then it must "hold the line" in terms of staff growth. He determined that the City has added more staff than it has the capacity to manage. During the last seven years, the Fire Department has added 15 positions and Public Works has added 20. The recommended budget will be balanced and add to reserves next year in the General Fund; however, funding will be drawn from the Capital accounts. He cautioned about potential impacts from Stockton's movement toward Eight Mile Road and its commercial corridor from Interstate 5 to Highway 99. In addition, Elk Grove is planning on building the second largest retail mall in the United States. This activity will attract business out of the City of Lodi. He noted that "no growth" communities have higher tax rates. Lodi needs to update its general plan at an estimated cost of \$1 million. He recommended that Council give approval to charge it to the General Fund Capital so that it can proceed.

Mr. Krueger distributed documents entitled Options for Structural Deficit and Budget Comments – Support (both filed).

Mayor Pro Tempore Beckman stated that the “Comments” report incorrectly reflected his position. With the exception of the 911 fees and ¼ cent sales tax, he supported all other recommended cost savings measures.

Mr. Krueger believed that transfers from the Capital Outlay Fund would be a responsible way to deal with the General Fund budget, and additional action does not need to be taken at this time. He recommended that a long-term look be conducted, taking into consideration the City survey results and priorities of programs that each department accomplishes. He commented that to alleviate the \$1.3 million deficit it would require a 6% reduction in pay or a 10% reduction in hours worked.

Mr. Krueger reported that in the Library Fund an adjustment was made that would reduce property tax revenues of \$45,120, which is the library’s share of the state takeaway. Corresponding with the reduction in revenues is a \$32,911 reduction in expenditures.

Library Director Nancy Martinez stated that the Library Board would like to spend monies in the way it feels would best serve the community and, at this point, believes that the decrease in funding can be absorbed without a reduction in hours of service.

Mr. Krueger stated that staff recommends transferring \$2,062,000 from the Capital Outlay Fund to the General Fund, which will leave a fund balance of \$8,948,000 in the Capital Outlay Fund. Of that balance, \$1,679,000 is needed for debt service. Impact fees are the largest portion of the remaining balance of \$7,269,000. Mr. Krueger suggested that police facilities impact fees be used, as collected, to pay a portion of the debt service over time. He noted that the Transportation Development Act Fund had a small deficit that has been alleviated.

Council Member Land felt that passing the City’s budget on time was more than historically significant, it was fiscally responsible. He objected to the assertion at a previous meeting by Council Member Hitchcock that his vote, and that of Council Member Howard’s, was not as important as hers because they only have five more months left to serve on the Council. He contended that every Council Member has an equal voice on the Council and on decision making. He asked Council to reconsider adopting the budget on June 30.

Mayor Pro Tempore Beckman recalled that all five Council Members were present when the consensus was made to consider adoption of the budget on July 21.

Council Member Howard expressed agreement with Mr. Land’s comments.

D. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None.

E. ADJOURNMENT

No action was taken by the City Council. The meeting was adjourned at 8:26 a.m.

ATTEST:

Susan J. Blackston
City Clerk

Mayor's & Council Members' Weekly Calendar

WEEK OF JUNE 22, 2004

Tuesday, June 22, 2004

7:00 a.m. Shirtsleeve Session
1. Review draft fiscal year 2004-05 Financial Plan and Budget (CM)

Wednesday, June 23, 2004

Thursday, June 24, 2004

Friday, June 25, 2004

Saturday, June 26, 2004

Sunday, June 27, 2004

10:15 a.m. Century Assembly Dedication of the Gymnasium, "The Rev. Harold W. Duncan Family Life Center," 550 West Century Boulevard.

Monday, June 28, 2004

Disclaimer: This calendar contains only information that was provided to the City Clerk's Office.

C:\Documents and Settings\jperrin\Local Settings\Temporary Internet Files\OLKC4\Mcalndr1.doc



TM

CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Discussion Regarding the Draft Fiscal Year 2004-05 Financial Plan and Budget

MEETING DATE: June 22, 2004

PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: That Council continue discussions regarding the Draft Fiscal Year 2004-05 Financial Plan and Budget.

BACKGROUND INFORMATION: During the June 15, 2004 Shirtsleeve Session, the City Manager and Finance Director continued the budget briefing defining what has become a structural financial imbalance of the City's proposed budget. Despite the structural imbalance, the Draft 2004-05 budget is balanced and in fact has a healthy General Fund reserve of 13.93%. However, in order to attain the 13.93% reserve, one time measures were put into place that would solve the budget challenge for FY04-05 and for the ensuing two budget years.

Beyond the next three fiscal years, additional measures will need to be taken to "cure" the fiscal imbalance in accordance with expenditures exceeding revenues. In order to focus the presentation, staff will lead Council in a discussion using the attached outline for Council sessions scheduled for June 22, 29 and July 7, 2004.

FUNDING: Not Applicable

A handwritten signature in cursive script, reading "Janet S. Keeter".

Janet S. Keeter
Deputy City Manager

Attachment

JSK

APPROVED:

A handwritten signature in cursive script, reading "H. Dixon Flynn".

H. Dixon Flynn, City Manager

**City of Lodi, City Council
Shirtsleeve Sessions Outline**

**2004-05 Budget
June and July of 2004**

June 22, 2004

1. Status of 2004-05 budget process and calendar
2. Summary of adjustments to All Funds
3. Review structural deficit issues in conjunction with 2004-05 budget strategy
4. Review options for passage of 2004-05 budget and for curing of \$1.3 million structural deficit
5. Review of Library Fund changes in fund balance
6. Review of Capital Outlay Fund changes to fund balance
7. Review of Transportation Development Act Fund changes to fund balance
8. Review of Community Development Block Grant (CDBG) Fund changes to fund balance
9. Review of Street Fund changes to fund balance
10. Review of Debt Service Fund changes to fund balance

June 29, 2004

1. Review operating transfers.
2. Review Enterprise Fund budgets:
 - a. Review changes to Electric Utility Fund balance
 - b. Review changes to Water Fund balance
 - c. Review changes to Wastewater Fund balance

July 7, 2004

1. Review of Transit Fund changes to fund balance
2. Review of Benefits Fund changes to fund balance
3. Review of Self Insurance Fund changes to fund balance
4. Review of Vehicle & Equipment Replacement Fund changes to fund balance
5. Review of Trust and Agency Fund changes to fund balance
6. Final discussion of Budget Policies and plan to adopt 2004-05 budget

filed 6-22-04

2004-05 Financial Plan and Budget Instructions

DRAFT

MAJOR BUDGET PREPARATION MILESTONES

	STAFF	PUBLIC MEETINGS
Review of Possible Budget Shortfall	11/18/03	
Discussion of VLF Impact & Budget Reductions Phase I		12/17/03
City Manager Recommendation to Conduct Public Survey		1/07/04
Discussion on Mid-year Budget Adjustments Phase II		1/21/04
Meetings with City Manager Budget Review Committee Members On-going	Feb '04	
Presentations to Service Clubs on Budget Challenges – 3 weeks		Feb '04
Discussion on Mid-year Budget Adjustments Phase II continued		2/04/04
Review of Public Survey Results by City Manager	4/20/04	
Public Survey Results Presentation		4/21/04
Inter-Fund Transfers Presentation		4/27/04
Governor's May Revise Release		5/13/04
Presentation by City Manager's Budget Advisory Committee and City Manager Regarding Recommended Adjustments		5/19/04
Release of Draft Budget Document		6/02/04
Shirtsleeve – Budget		6/08/04
Shirtsleeve – Budget		6/15/04
Shirtsleeve – Budget		6/22/04
Shirtsleeve – Budget		6/29/04
Shirtsleeve - Budget		7/06/04
Adoption of 2004-05 Financial Plan & Budget – Council Meeting		7/21/04

Dates subject to change

June 21, 2004

filed 6-22-04

Options For Structural Deficit:

Revenues(Any combination of elements e.g. Sales Taxes, 911, Other Fees)

(1,338,946)

Additional Reductions in Work Force

21 additional positions needed to achieve \$1.3 million

Year 1 11 (715,000)

Year 2 10 (650,000)

(1,365,000)

Reductions in Pay (Across all positions in the General Fund)

22618000 -5.92% (1,338,946)

Saves about \$226,000 per 1% pay reduction

Voluntary Time off or Work Furloughs

14388000 -9.31% (1,338,946)

One day per pay period

Program reductions using community survey and other collaborative approaches

filed 6-22-04

Budget Voting History

Year	Date Adopted	Ayes	Noes	Absent
2003	June 8, 2003	Beckman, Hansen, Howard, Land	Hitchcock	
2002	Operating Budget June 19, 2002	Hitchcock, Howard, Land, Nakanishi, Pennino		
2002	Capital Improvement Budget June 19, 2002	Howard, Land, Nakanishi, Pennino	Hitchcock	
2001	June 27, 2001	Howard, Land, Nakanishi, Pennino	Hitchcock	
2000	June 21, 2000	Land, Nakanishi, Pennino, Mann	Hitchcock	
1999	June 16, 1999	Mann, Nakanishi, Pennino, Land	Hitchcock	
1998	June 17, 1998	Land, Mann, Pennino, Sieglock		Johnson
1997	June 20, 1997	Land, Mann, Warner Sieglock, and Pennino		
1996	June 19, 1996	Davenport, Mann, Pennino, Sieglock and Warner		
1995	June 21, 1995	Davenport, Pennino, Sieglock, Warner and Mann		
1994	June 22, 1994	Mann, Pennino, Snider, Sieglock		Davenport
1993	June 24, 1993	Davenport, Mann, Sieglock, Snider and Pennino		
1992	July 1, 1992	Hinchman, Sieglock, Snider	Pinkerton	Pennino

June 16, 2004

Item I-3 (partial transcript)

HITCHCOCK: I'd go for the consensus that we had. **It doesn't disrupt anything within the city** and it does allow for greater input. I think the budget is the most important thing we have to live with whatever we come forth with; I have to live with it for the next year. I want to participate in that process.

HOWARD: I think there is an impact to the city when we don't adopt a budget in a timely manner.

FLYNN: We did a little research knowing that there was a possibility that Council person Howard may be absent and we looked up teleconference so that she might be able to participate through a conference call and I haven't had a chance to really speak to her yet and what the issues are, but I think after you read the instructions I got from the City Clerk it's not as onerous as it might sound at first.

HOWARD: That's a nice gesture but I am even realizing that I might be that 5th Council Member that's absent, so I am holding myself to the same request as I am the other Council Members recognizing that in my mind it is more important to adopt it by June 30th even if that means I'm absent.

HITCHCOCK: But normally we have it approved by May, before June.

FLYNN: I've been here 13 years and I don't believe there is one resolution ever approving the budget prior to June. Early in the scheduling process Mayor Hansen told us he would be absent June 16, that for at least 10 years he's been going to this one event that is very important to he and his friends and so we knew June 16 was out and we couldn't get it by the first meeting in June so it was like it was a five Wednesday month and so we went of the 5th Wednesday trying to accommodate everybody and early on we really believed that Council person Hitchcock would be back by June 30 in our initial calendaring that we received and then we found out that was a little bit different. Just one of those things that happens.

HITCHCOCK: Motion to adopt resolution... (died for lack of a second)

FLYNN: It may be possible, we were looking for Council person Howard as far as teleconference, but I don't know about Council person Hitchcock, that it may be possible.

HITCHCOCK: Well I could be in St. Petersburg, Moscow, and Helsinki...

LAND: ... I would recommend that we move on and have the budget hearing on the 30th of this month.

HITCHCOCK: I don't understand the importance of a date that doesn't affect the city in any negative way other than some traditional... It doesn't affect it in any way and yet you're excluding someone who's got two more years on the council and yet Council Member Land and Council Member Howard you're both not going to be living with this budget and I am. I want to participate and I would just request that you would honor and allow that to be more important than some date.

BECKMAN: Mr. City Manager or Mr. City Attorney what happens if we don't pass this resolution tonight?

FLYNN: What we would basically do is we would hold all bills and at the first meeting in July the bills up through, I don't know what the date is, we'd bring to Council you'd have to look at those and either pass them under a consent calendar item or look at each one and vote on it and then we would be holding the bills until the 2nd Council meeting because the Council has to give authority to spend money.

HOWARD: If there is a majority who would like to hold the budget beyond June 30th then I think it is important that we at least have a plan in place versus not paying our bills, so the resolution would need to be passed if there is still the consensus not to finalize June 30th.

BECKMAN: Motion to approve the resolution

HITCHCOCK: second

4-0

filed 6-22-04

CHANGES IN FUND BALANCE - CAPITAL OUTLAY FUND

	2001-2002	2002-2003	2003-2004		2003-2004 Revised Budget	2004-2005 Budget		2004-2005 Revised Budget
	Actual	Actual	Budget	Changes			Changes	
Revenues								
Tax Revenues	1,692,200	1,857,432	1,927,265		1,927,265	2,062,175	(2,062,175)	
Licenses and Permits								
Fines and Forfeitures								
Investment/Property Revenues	607,424	520,585	24,540		24,540	24,540		24,540
Intergovernmental Revenues	4,256,053	24,840	1,115,480		1,115,430	1,250,000		1,250,000
Service Charges	807,994	2,286,281	2,408,360		2,408,360	2,099,340		2,099,340
Other Revenue	1,055,731	215,080	150,000		150,000	150,000		150,000
Total Revenue	8,419,402	4,904,218	5,625,595		5,625,595	5,586,055	(2,062,175)	3,523,880
Expenditures								
Operating Programs								
Public Safety								
Public Utilities								
Transportation								
Leisure, Cultural and Social Services		39,494						
Community and Economic Development								
General Government								
Total Operating Programs		39,494						
Bulk Power Purchase								
Other Purchases								
Capital Projects	5,271,183	9,367,650	8,792,484	(1,430,088)	7,362,396	1,919,550		1,919,550
Debt Service								
Total Expenditures	5,271,183	9,407,144	8,792,484	(1,430,088)	7,362,396	1,919,550		1,919,550
Revenues/Expenditures (Over/Under)	3,148,219	(4,502,926)	(3,166,889)	1,430,088	(1,736,801)	3,666,505	(2,062,175)	1,604,330
Other Sources (Uses)								
Operating Transfers In	4,573,952	1,982,180	350,000	265,177	615,177	350,000	(350,000)	
Operating Transfers Out	(4,899,026)	(4,168,097)	(2,109,994)	(1,388,852)	(3,498,846)	(2,159,954)	(2,616,000)	(4,775,954)
Other Sources (Uses)		9,067		(890,000)	(890,000)			
Proceeds from Debt Financing	13,395,749		4,932,279		4,932,279			
Total Other Sources (Uses)	13,070,675	(2,176,850)	3,172,285	(2,013,675)	1,158,610	(1,809,954)	(2,966,000)	(4,775,954)
Fund Balance Beginning of the Year	3,159,294	19,378,188	12,698,412		12,698,412	12,703,808	(583,587)	12,120,221
Fund Balance End of the Year								
Reserved for Debt Service			1,679,480		1,679,480	1,679,480		1,679,480
Designated Reserve	19,378,188	12,698,412	11,024,328	(583,587)	10,440,741	12,880,879	(5,611,762)	7,269,117
Unreserved								
Total Fund Balance	19,378,188	12,698,412	12,703,808	(583,587)	12,120,221	14,560,359	(5,611,762)	8,948,597

filed 6-22-04

BUDGET COMMENTS – SUPPORT

<u>Topic</u>	<u>Keith Land</u>	<u>Susan Hitchcock</u>	<u>Emily Howard</u>	<u>Larry Hansen</u>	<u>John Beckman</u>
Hiring Freeze			X	X	
VTO		X	X	X	
Administrative Leave Cash Out		X	X	X	
Reduce Community Promotion			X	X	X
1%-2% Salary Cuts	X	X			
Medical Cap		X	X	X	
PERS 2-Tier			X	X	
Mandatory Furlough	X				
PERS Employee Contribution		X			
911 Fee	X	X		X	
BID	X		X	X	
1/4¢ Sales Tax Greenbelt		X		X	X
1/4¢ Sales Tax General				X	
\$350,000 Defer EUD Payback	X	X	X	X	X

filed 6-22-04

Options For Structural Deficit:

Revenues(Any combination of elements e.g. Sales Taxes, 911, Other Fees) (1,338,946)

Additional Reductions in Work Force

21 additional positions needed to achieve \$1.3 million

Year 1	11	(715,000)
Year 2	10	<u>(650,000)</u>
		(1,365,000)

Reductions in Pay (Across all positions in the General Fund)

22618000	-5.92%	(1,338,946)	Saves about \$226,000 per 1% pay reduction
----------	--------	-------------	--

Voluntary Time off or Work Furloughs

14388000	-9.31%	(1,338,946)	One day per pay period
----------	--------	-------------	------------------------

Program reductions using community survey and other collaborative approaches